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Discussion After the Speech of Norihiro Takeuchi

QUESTION, *Professor King*: What role do statutes play in Japan? Could you comment on their administration?

ANSWER, *Mr. Takeuchi*: Let me briefly explain the legal system in Japan. Until 1860, Japan had its own traditional laws based primarily on common law concepts. Then in 1860, Japan started importing several aspects of the continental European civil law system, which has provided the basis for many of the contractual relationships, including ownership.

At the end of World War II, many American practices, for instance antitrust laws, labor relations and labor union laws, were imported and implemented in Japan. However, Japan is one single jurisdiction. It does not have separate state and federal governments. Therefore, there are few statutory regulatory registrations. They are basically covered by the civil code and some of the new regulatory registrations like labor union laws and arbitrary practices. We do not have the legislative innovations that the United States has.

QUESTION, *Mr. Harwood*: Could you describe what typically happens to a company of, for example, 100 employees, that over a two-year period has failed from a human resources standpoint?

ANSWER, *Mr. Takeuchi*: You remember that I carefully referred to larger employers this afternoon. In Japan, there is a two-tier industry structure. The top tier is composed of very large corporations with 5,000 employees or more. The bottom tier is composed of “mom and pop” industries, of which there are many. The mobility of people, workers particularly, is very high in the lower-end.

There is also a middle tier which is similar to the larger corporations and to the smaller corporations. If you are looking at the 100-employee type of company, mobility of people is very high, and employers are presently having a difficult time recruiting. It is also difficult to retain employees because the industry is expanding, and naturally, more people tend to go to the large organizations.

QUESTION, *Mr. Harwood*: What about the failure of a larger, lower-tier, traditional company?

ANSWER, *Mr. Takeuchi*: These companies would not disappear, and some would succeed. So far the experience has been similar to Chapter 11. A recent example would be the privatization of the National Railway.

The Japan National Railway was the nation’s largest employer with over one million employees divided into five or six smaller, private companies. In the process, approximately 300,000 people were eliminated. It took approximately three years for them to be redirected into different

businesses. However, the railway corporation helped them find new jobs. It was a difficult, painful process. However, the railway corporation was a big corporation and simply did not need 300,000 more employees.

QUESTION, Mr. Rusak: What are the challenges facing Japanese corporations in the human resources area given the changing values and priorities of younger workers, and the advent of more females coming into the workforce?

ANSWER, Mr. Takeuchi: Let me respond to the second part first. Three years ago, legislation was introduced to give female-staff workers equal treatment with male-staff workers. Presently, there are no penalties, yet those will come in a few years. Human resource management is now trying to create positions for female graduate workers. Once female graduate workers accept that they are subject to transfers, not only within their own community, but outside the country, it will be easier. Many female workers do not want to be transferred, so they choose positions one level below those that would subject them to transfers. Thus, their promotion potential is limited.

With respect to Japan's younger generation, more tend to leave their initial employment and get involved with other companies, particularly those companies from outside Japan. For instance, American consulting firms in Japan recruit some of the best people from the existing workforces of other companies. However, this is a slow process; it will take another ten to twenty years before this will become commonplace.

QUESTION, Mr. Edwards: From a human relations perspective, what did you find most surprising in your move with Bridgestone/Firestone?

ANSWER, Mr. Takeuchi: I am struggling to find a short answer to that question. Probably most of the people in Japan, including myself, felt that American management people were particularly more democratic, and that they expressed their opinions more freely to their bosses. However, the impression now is that American corporations are much more structured than Japanese companies.

QUESTION, Mr. Heenan: To what extent is the idea of having a large segment of the workforce coming from contractors, temporary employees or retired employees, who are not in the main employment stream, working in the plants transferable to American industry, particularly where labor unions exist?

ANSWER, Mr. Takeuchi: Until about five years ago, there were few temporary workers in larger corporations. Some wives, for example, worked part-time. However, this was not exceptional, and the number of the people involved was low. What has happened during the last five years, is that available production workers are becoming scarce.

For example, automobile assembly plant management for Toyota, Nissan and Honda, is scrambling to find employees. There is a growing number of young people who work for six months in a Toyota assembly

plant (receiving double the normal pay of regular employees) and then go to work at a Nissan plant for another three months.

This has been a relatively new development within the last five years. It may be a temporary phenomena, but the temporary workforce is in place.

QUESTION, Mr. Marlais: Could you compare Japanese corporations with their American and Canadian counterparts concerning employee benefits, particularly where these benefits relate to temporary workers and the differences between management and the regular labor force?

ANSWER, Mr. Takeuchi: In Japan, temporary workers do not receive benefits; they receive so many yen per day, or per hour. This is why their pay is rather high. I used the example of the temporary auto assembly workers. They may be paid as much as twice what a regular employee would receive.

For management and regular staff people, the ratio is much smaller than in American companies. We try to compare the ratio between the president's salary and the freshman from college. In many cases, it is not more than ten times. Stock options or bonus payments are rare for executives. Of course, there is a bonus system, but a bonus in Japan is considered part of the delayed payments of fixed compensation.

QUESTION, Mr. Marlais: Who is responsible for paying for medical and pension plans?

ANSWER, Mr. Takeuchi: There are two kinds of medical and pension plans. In larger corporations, the corporation itself is responsible for medical benefits and pensions. But for medium and smaller sized corporations and the unemployed, the government is responsible for both their medical and pension plans.

QUESTION, Professor King: You said that part of the Japanese system is built on communications. How does Japanese communication differ from communication with U.S. companies?

ANSWER, Mr. Takeuchi: At Bridgestone, we communicate the most sensitive management information to the floor people. So, if you stop by one of our plants and ask the production worker, "What are the top three management policies for this year?," you would probably receive a fairly good answer. We make it a periodic practice to talk and distribute written materials to the floor people.

Another thing that will surprise you is that the labor union executive board is probably more informed than most middle managers are about business conditions. There is a danger in that, but the assumption is that most people stay with the company. So, we take great pains to keep people informed.

QUESTION, Mr. O'Grady: Are legal strikes possible in Japan? And if not, what is the role of arbitration? Is it a large role?

ANSWER, Mr. Takeuchi: Yes, a strike is legally permitted in Ja-

pan, except for government corporations and government employees. When a strike is permitted, there is no compulsory arbitration. But if the parties want it, arbitration is sometimes used. When a strike is not permitted, there is a mandatory arbitration procedure available.

If one of the parties requests arbitration, then arbitration will take place. If a strike is possible, as in private business, then both parties must agree to arbitration before it takes place.

QUESTION, *Mr. Kirby*: Japanese companies are operating throughout North America, as well as in Europe and Latin America. How do you handle autonomist profits or autonomy of operations in these other areas?

ANSWER, *Mr. Takeuchi*: Normally, we hold very tight reigns in this area. It depends on the business performance situation. If the outfit is making profits, there will probably be more autonomy. But if it is not making acceptable profits, then there will be tighter control.

QUESTION, *Mr. Reifsnyder*: Do Japanese companies play a role in the education of potential employees? Is there any assistance given by companies at the secondary level or in the educational process?

ANSWER, *Mr. Takeuchi*: Generally speaking, financial contributions from the private sector to education is common in the United States, but not in Japan. However, Matsushita Corporation, for example, has set up its own graduate school and provides education at a low cost to its students. Not much pre-employment assistance for education is taking place by Japanese businesses, but they do provide extensive training for their employees.

Japanese companies wish to develop the kind of people they want to have. We tend to take generic university graduates and mold them over a period of twenty-five years.

QUESTION, *Mr. Harwood*: You take your employees under your wing and protect them. Do you do the same with respect to your suppliers?

ANSWER, *Mr. Takeuchi*: No, but the relationship with suppliers is more within the control of the company. The relationship is long lasting. Once we have a supplier, we tend not to change them unless something very serious happens.

So, in that respect, there is a communication of quality requirements between suppliers and purchasers. We expect to go to suppliers who have their quality system developed in such a way that buyers can easily accept the parts and materials supplied without an examination or quality check.